

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

PUBLIC UTILITIES COMMISSION
Investigation of Stranded Costs, Transmission
and Distribution Utility Revenue Requirements,
and Rate Design of Bangor Hydro-Electric
Company - Phase II

STIPULATION

Docket No. 97-596

The purpose of this Stipulation is to resolve certain outstanding issues in this proceeding as described below. The undersigned parties hereby agree to the following:

1. On September 8, 1999, the Maine Public Utilities Commission issued an Accounting Order (“the Accounting Order”) which permitted Bangor Hydro-Electric Company (“BHE” or the “Company”) to defer certain expenses related to the implementation of electric industry restructuring (“Restructuring Costs”). Subsequently, in Phase II of the Company’s rate case in Docket No. 97-596 (the “Mega Case”), the Company submitted updated estimates of replacement power costs from December 1, 1999 through February 29, 2000 (the “Replacement Power Costs”) that were included in the calculation of interim savings stemming from BHE’s sale of its generating assets.
2. On July 19, 2000, the Commission Staff issued a Procedural Order asking the Company to provide its final accounting of Restructuring Costs and Replacement Power Costs. On August 4, 2000, the Company provided its final accounting of such costs, which estimates were subsequently updated during the discovery phase of the proceeding. The final accounting is described in greater detail in Exhibit 1.
3. In the case of Restructuring Costs, the Company estimated in the Mega Case that expenses would total \$1,562,602. The final accounting now reflects actual costs of \$931,830, which is a decrease of \$630,772. The final accounting also includes a downward adjustment in Mega Case

costs of \$33,167 from those identified in the Company's August 4, 2000 filing, and a corresponding reduction in overhead expenses of \$2,610. These specific reductions are shown more fully in Exhibit 2.

4. In the case of replacement Power Costs, the Company estimated in the Mega Case that costs would be \$2,117,802. The final accounting for Replacement Power Costs is now \$2,295,497, which reflects an increase of \$177,695.

5. The final difference between actual Restructuring and Replacement Power Costs and those estimated in Docket No. 97-596 amounts to \$453,077. This savings represents a regulatory liability related to the Company's stranded costs whose ratemaking treatment will be considered by the Commission during the Company's next rate proceeding. The carrying cost for this regulatory liability will be computed using the Company's weighted average cost of capital rate, which includes the Company's allowed return on common equity of 11% as determined in the Mega Case.

PROCEDURAL MATTERS

4. The parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. §9062(4) and Section 742 of the Commission Rules of Practice and Procedure to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commissioners at the Commission's scheduled deliberations, without providing to the parties an Examiners' Report or the opportunity to file Exceptions.

5. The record on which the parties enter into this Stipulation and on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of all prefiled exhibits, and all documents and information provided in responses to written and oral

data requests, as well as any Technical Conference transcripts which may be provided to the Commission to assist in its decision as to whether to accept and approve this Stipulation.

6. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

7. This Stipulation represents the full agreement between the parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

8. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

Respectfully submitted this day of November, 2000

OFFICE OF THE PUBLIC ADVOCATE

By: _____

BANGOR HYDRO-ELECTRIC COMPANY

By: _____